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INFO ALL NATO CAPITALS

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FOR OPENING OF BUSINESS MONDAY

E.O. 11652: GDS

TAGS: PFOR, CSCE, EEW, NATO

SUBJECT: ECONADS: US CSCE BASKET II PROPOSALS FOR ALLIED

CONSIDERATION

REF: STATE 13664

SUMMARY: THIS CABLE PROVIDES GUIDANCE ON NEW BASKET II PROPOSALS FOR USDEL TO CSCE BASKET II MEETING. USDEL SHOULD THANK ALLIES FOR COMMENTS ON US PROPOSALS AND INDICATE WE HAVE DECIDED NOT TO PURSUE PROPOSALS ON EASTERN EXPORT CREDITS, PROMOTION OF EASTERN EXPORTS AND JOINT EQUITY VENTURES. USDEL SHOULD ELABORATE ON AND OFFER DRAFT LANGUAGE FOR PROPOSALS ON MULTIPLE VISAS FOR BUSINESSMEN, COMMERCIAL DIRECTORIES, AND REPRESENTATIVE OFFICES, AND SEEK ALLIED VIEWS ON SUBJECT OF RECIPROCAL TECHNOLOGY FLOW. END SUMMARY

1. AT MARCH 21 CSCE EXPERTS MEETING, USDEL SHOULD EXPRESS APPRECIATION FOR HELPFUL ALLIED COMMENTS ON US SUGGESTIONS OF POSSIBLE INITIATIVES FOR FURTHERING BASKET II IMPLEMENTATION. USDEL SHOULD STATE THAT IN VIEW OF INTERESTING COMMENTS AND QUESTIONS RAISED, WE DO NOT BELIEVE IT PROFITABLE TO PURSUE FURTHER THE PROPOSALS DEALING WITH ENCOURAGEMENT OF EASTERN EXPORTS, EASTERN COMMITMENTS TO PROVIDE EXPORT CREDITS, AND ESTABLISHMENT OF JOINT EQUITY

VENTURES. AS APPROPRIATE, USDEL MAY COMMENT ON REASONS FOR WITHDRAWAL OF THESE PROPOSALS. FINALLY, USDEL MAY UTILIZE INFORMATION AND PROPOSED LANGUAGE IN PARAS 2 THRU 5 BELOW IN DISCUSSION OF REMAINING US INITIATIVES FOR BASKET II IMPLEMENTATION.

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2. ONE OF THE DIFFICULTIES ENCOUNTERED BY WESTERN BUSINESSMEN ASSIGNED TO EASTERN EUROPE AND THE USSR IS THE REQUIREMENT FOR OBTAINING EXIT/RE-ENTRY PERMISSION EACH TIME THEY LEAVE THE HOST COUNTRY FOR BUSINESS OR PERSONAL REASONS. AN ADDITIONAL PROBLEM ARISES FROM THE COMMON PRACTICE OF WESTERN FIRMS OF EMPLOYING THIRD-COUNTRY NATIONALS. RECIPROCAL GRANTING OF MULTIPLE ENTRY/EXIT VISAS FOR PERIODS OF UP TO A YEAR WOULD MEASURABLY IMPROVE THE WORKING CONDITIONS FOR RESIDENT BUSINESSMEN.

SUCH VISAS WOULD NOT NECESSARILY BE AVAILABLE TO VISITING BUSINESSMEN BUT RATHER MAINLY TO THOSE ASSIGNED TO COMMERCIAL OFFICES TECHNICAL ASSISTANCE, OR OTHER LONG TERM COMMERCIAL ARRANGEMENTS. IN ADDITION THE PROPOSAL FOR GRANTING SUCH VISAS WOULD NOT AFFECT THE INITIAL ISSUANCE NOR THE NUMBER OF PERMANENT REPRESENTATIVES PERMITTED.

WE HAVE NOTED THAT SOME ALLIES HAVE RESERVATIONS ON THE PROPOSAL OF ONE YEAR MULTIPLE ENTRY/EXIT VISAS FOR

RESIDENT BUSINESSMEN. WE SOLICIT SUGGESTIONS THAT WOULD MEET WESTERN SECURITY CONCERNS, BUT STILL GAIN EASTERN COMMITMENT TO RELAXATION IN EXIT/ENTRY REGULATIONS FOR WESTERN BUSINESS REPRESENTATIVES ON LONG-TERM ASSIGNMENT.

WITH THE OBJECT OF FACILITATING EXIT AND RE-ENTRY, WE WOULD BE WILLING TO PROPOSE THE FOLLOWING OR SIMILAR STATEMENT OF INTENTIONS FOR APPROVAL AT BELGRADE:

-- "THE PARTICIPATING STATES,

-- RECALLING THEIR UNDERTAKING TO "TAKE MEASURES AIMED AT IMPROVING WORKING CONDITIONS OF REPRESENTATIVES OF FOREIGN ORGANIZATIONS, ENTERPRISES, FIRMS AND BANKS CONCERNED WITH TRADE,..."

-- RECOGNIZING THAT THE ABILITY TO TRAVEL EXPEDITIOUSLY
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FROM AND TO THEIR COUNTRY OF ASSIGNMENT FOR BUSINESS CONSULTATIONS OR PERSONAL REASONS IS AN IMPORTANT FACTOR IN WORKING CONDITIONS FOR FOREIGN REPRESENTATIVES,

-- WILL ENDEAVOR TO PROVIDE MULTIPLE ENTRY/EXIT VISAS FOR UP TO ONE YEAR TO ALL RESIDENT FOREIGN BUSINESSMEN REPRESENTING FIRMS, ORGANIZATIONS, ENTERPRISES OR BANKS FROM

PARTICIPATING STATES, INCLUDING BUSINESSMEN WHO ARE FROM A THIRD PARTICIPATING STATE."

3. THE FINAL ACT SPECIFICALLY ENVISIONS THE PUBLICATION AND DISSEMINATION OF "PERIODIC DIRECTORIES, LISTS, AND WHERE POSSIBLE, ORGANIZATIONAL CHARTS OF FIRMS AND ORGANIZATIONS CONCERNED WITH FOREIGN TRADE." AN ATTEMPT AT IMPLEMENTATION IN THE ECE TRADE COMMITTEE WORKING PARTY IN DECEMBER 1976, HOWEVER, PRODUCED AGREEMENT ONLY TO PUBLICATION BY THE ECE OF LISTS OF DIRECTORIES. TO EMPHASIZE OUR INTEREST IN THIS SUBJECT WE WOULD PROPOSE THE FOLLOWING FOR CONSIDERATION AT BELGRADE IF THERE HAS NOT BEEN SUFFICIENT PROGRESS IN EASTERN IMPLEMENTATION BY THEN:

-- "THE PARTICIPATING STATES,

-- RECALLING THEIR AGREEMENT TO "PROMOTE THE PUBLICATION AND DISSEMINATION OF ECONOMIC AND COMMERCIAL INFORMATION..,"
-- FURTHER RECALLING THE NEED OF EXPORTERS TO BE FULLY FAMILIAR AS POSSIBLE WITH AND TAKE ACCOUNT OF THE REQUIREMENTS OF POTENTIAL USERS,"

-- WILL ENDEAVOR TO TAKE MEASURES TO ENSURE PUBLICATION

OF COMPREHENSIVE DIRECTORIES OF ORGANIZATIONS, FIRMS AND ENTERPRISES FURNISHING EXPORT OR IMPORT SERVICES, PRODUCING GOODS FOR EXPORT, PROVIDING ECONOMIC OR COMMERCIAL SERVICES TO ORGANIZATIONS, FIRMS OR ENTERPRISES OF ANOTHER PARTICIPATING STATE, OR UTILIZING IMPORTED GOODS OR SERVICES AND
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IN PARTICULAR CAPITAL GOODS,

-- RECOGNIZE THAT SUCH DIRECTORIES SHOULD BE SUFFICIENTLY DETAILED TO INCLUDE: NAME OF FIRM, MAILING AND TELECOMMUNICATIONS ADDRESSES, BRIEF DESCRIPTION OF FIRMS, ECONOMIC ACTIVITY, AND TITLE OF PERSON OR NAME OF OFFICE OR DEPARTMENT MOST RESPONSIBLE FOR IMPORTS OR EXPORTS.

4. PERMANENT COMMERCIAL OFFICES IN EASTERN EUROPE AND THE USSR ARE OFTEN SO EXPENSIVE AS TO DISCOURAGE THE DEVELOPMENT OF TRADE WITH THE WEST, PARTICULARLY FOR SMALL AND MEDIUM-SIZED FIRMS.

IN CALLING ATTENTION TO THIS PROBLEM, WE PROPOSE TO NOTE THAT EXPERIENCE WITH COMMERCIAL REPRESENTATION VARIES GREATLY BETWEEN SIGNATORY COUNTRIES, AND THAT OUR CONCERN IS PRIMARILY WITH THOSE COUNTRIES IN WHICH VERY FEW FOREIGN FIRMS HAVE FOUND IT POSSIBLE TO OPEN REPRESENTATIVE OFFICES. PRIMARY EMPHASIS WOULD BE GIVEN TO IMPLEMENTATION OF THE PROVISIONS OF THE FINAL ACT, BUT WE WOULD, IF NECESSARY, ALSO OFFER THE FOLLOWING STATEMENT OF INTENTIONS FOR APPROVAL AT BELGRADE:

-- "THE PARTICIPATING STATES,

-- RECALLING THEIR UNDERTAKING TO "TAKE MEASURES AIMED AT IMPROVING WORKING CONDITIONS OF REPRESENTATIVES OF FOREIGN ORGANIZATIONS, ENTERPRISES, FIRMS AND BANKS CONCERNED WITH EXTERNAL TRADE,..."

-- RECOGNIZING THAT THE COSTS OF OPERATING A PERMANENT REPRESENTATIVE OFFICE ARE AN IMPORTANT DETERMINANT OF THE WORKING CONDITIONS OF FOREIGN REPRESENTATIVES,

-- WILL SEEK TO ENSURE REASONABLE LEVELS AND APPLICATION OF FEES, TAXES, RENTS AND OTHER CHARGES, AND ADEQUATE NOTICE OF CHANGES THEREIN."

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5. INCREASED SALES OF EASTERN TECHNOLOGY TO THE WEST WOULD ADD AN ELEMENT OF RECIPROCITY TO WHAT IS NOW PRIMARILY A ONE-WAY FLOW AND COULD HELP OFFSET SOMEWHAT THE EAST'S TRADE IMBALANCE AND CONSEQUENT DEBT PROBLEMS.

HOWEVER, THE SCARCITY OF KNOWLEDGE ABOUT WHAT TECHNOLOGY THE EAST HAS AVAILABLE FOR SALE IS AN OBSTACLE TO EXPANSION OF THE WESTWARD FLOW OF TECHNOLOGY. THIS PROBLEM COULD BE ALLEVIATED BY ENCOURAGING THE EASTERN STATES TO MAKE AVAILABLE TO WESTERN BUSINESSMEN DESCRIPTIONS OF TECHNOLOGY, AVAILABLE FOR EXPORT IN WHICH THEY BELIEVE THEY HAVE COMPARATIVE ADVANTAGE.

WE ARE CONSIDERING VARIOUS POSSIBLE MEANS BY WHICH TO ADVANCE THESE OBJECTIVES, E.G. THROUGH EXISTING TRADE AND ECONOMIC COUNCILS, BY ENCOURAGING THE PUBLICATION AND DISSEMINATION OF THE RESULTS OF SCIENTIFIC RESEARCH. GIVEN THE RECIPROCAL NATURE OF CSCE, HOWEVER, WE DO NOT WISH TO PROPOSE MEASURES WHICH WOULD EITHER STIMULATE A GREATER FLOW OF TECHNOLOGY TO THE EAST (WHICH WOULD FRUSTRATE OUR OBJECTIVE) OR WHICH WOULD IN ANY WAY COMMIT THE ALLIES TO PROMOTING THE EASTWARD FLOW OF STRATEGICALLY SENSITIVE TECHNOLOGY. WE WOULD WELCOME DISCUSSION AND SUGGESTIONS BY THE ALLIES ON THIS GENERAL SUBJECT MATTER AND HOW AND WHETHER IT COULD BE ADAPTED IN A WAY PRODUCTIVE TO WESTERN BASKET II OBJECTIVES.

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